

CONFIDENTIAL



Prime Minister

*ms*

BINDER HAMLYN AND LIQUID MILK PRICES

As I will be unable to attend the meeting arranged for Monday I thought I should write to state my position on the points at issue. I have seen Peter Walker's paper of 14 December and Leon Brittan's paper of 16 December. I have also seen Peter Walker's letter of the same date.

I do not find Leon Brittan's technical arguments convincing and would most certainly disagree with his views on the impact on the dairy industry.

I think we should not under-estimate Peter Walker's success in his negotiations with the dairy trade. He has persuaded them to accept both a new system which will substantially reduce their level of remuneration this year and in years to come and also to forego £40m which would have been due under the old system for past years. As you will know I have some experience of this particular negotiation and I believe Peter has achieved a remarkable improvement.

I agree with his judgement that to turn the screw still tighter on the dairy trade would be very risky. If we try to do so the odds are that the trade will no longer co-operate in the system. This would inevitably mean that the trade would start to abandon the doorstep delivery system. I think it would be a grave mistake for us to get into a position where we could be blamed for the ending of this highly regarded institution.

I am copying this minute to our colleagues on 'E' Committee, and to George Younger, Nicholas Edwards and Sir Robert Armstrong.

*JP*  
*ms*

J P  
18 December 1981

(Signed on behalf of the  
Secretary of State  
in his absence)

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